

Message Text

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EUR/RPM - COL. THOMPSON

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C O N F I D E N T I A L STATE 135582

E.O. 11652: GDS

TAGS: MPOL, NATO

SUBJECT: MINISTERIAL GUIDANCE: US DEFENSE EXPENDITURES

REFS: (A) USNATO 3020; (B) USNATO 2301; (C) USNATO 2523

1A. IN RESPONSE TO REF C, THE FOLLOWING DETAILED DATA ARE PROVIDED FOR US FISCAL YEARS 1974, 1975 AND 1976 REFLECTING ACTUAL AND ESTIMATED US DEFENSE EXPENDITURES BY NATO DEFINITION BROKEN DOWN BY MAJOR NATO CATEGORY OF EXPENDITURE. THESE DATA ARE EXTRAPOLATED FROM THE BUDGET REQUEST TO CONFIDENTIAL

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GRESS FOR FY 1976. THESE DETAILED FIGURES ARE IN CURRENT PRICES, THUS INCLUDE INFLATION. A GENERAL DESCRIPTION OF THE LONG RANGE TREND IN CONSTANT PRICES (EXCLUDING INFLATION) FOR US FISCAL YEAR 1977 AND BEYOND IS PROVIDED IN

PARAGRAPHS 1B, 1C AND 1D.

US DEFENSE EXPENDITURES - NATIONAL FISCAL YEARS

(\$ US MILLIONS)

FISCAL YEAR 1974 (JULY 73-JUNE 74)

	TOTAL	ARMY	NAVY	AIR	ESTABLISHMENT
		FORCE	WIDE		

MILITARY					
PERSONNEL	22,150	7,720	7,064	7,366	-
PROCUREMENT	15,241	2,784	7,027	5,366	64
CONSTRUCTION	1,406	693	414	286	13

O&M	39,572	10,198	9,479	10,910	8,985
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OTHER DEF.EXP.	2,290	-	-	-	2,290
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TOTALS	80,659	21,395	23,984	23,928	11,352
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FISCAL YEAR 1975 (EST) (JULY 74-JUNE 75)

MILITARY					
PERSONNEL	25,050	9,343	7,868	7,839	-
PROCUREMENT	14,785	2,171	7,231	5,302	81
CONSTRUCTION	1,457	568	557	314	18
O&M	43,418	9,249	10,483	11,300	12,385
OTHER DEFENSE					
EXP.	2,529	-	-	-	2,529

TOTALS	87,239	21,331	26,139	24,755	15,013
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FISCAL YEAR 1976 (EST) (JULY 75-JUNE 76)

MILITARY					
PERSONNEL	25,002	9,414	7,882	7,706	-
PROCUREMENT	16,510	2,679	7,708	6,029	94
CONSTRUCTION	1,703	688	584	399	32
O&M	46,977	9,959	11,549	12,420	13,049
OTHER DEFENSE					
EXP.	2,520	-	-	-	2,520

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TOTALS	92,712	22,740	27,723	26,554	15,695
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B. OUR PROJECTION FOR US FISCAL YEAR 1977 (OCT 76 THRU SEPT 77-STARTING WITH FY 77 THE US FISCAL YEAR WILL COVER THE PERIOD OCT THROUGH SEPT) AND BEYOND ASSUMES INCREASES IN THE DEFENSE BUDGET AVERAGING AROUND 2 PERCENT PER YEAR IN CONSTANT PRICES. MOST OF THIS INCREASE WOULD GO FOR MODERNIZATION. SPENDING FOR MILITARY AND CIVILIAN PERSONNEL AND PERSONNEL RELATED ACTIVITIES -- WHICH ACCOUNTS FOR SOME 50 PERCENT OF OUR BUDGET -- WOULD BE AUTOMATICALLY COMPENSATED FOR INFLATION. WE WOULD EXPECT MANPOWER STRENGTH GENERALLY TO HOLD AT THE CURRENT LEVELS. THUS ON THIS BASIS TOTAL SPENDING FOR PERSONNEL SHOULD REMAIN

ABOUT LEVEL IN CONSTANT PRICES. TOTAL NON-PERSONNEL SPENDING -- THE REMAINING 50 PERCENT OF OUR BUDGET -- IS ASSUMED TO INCREASE BY AROUND 4 PERCENT PER YEAR IN REAL TERMS. SPENDING FOR PROCUREMENT OF MAJOR EQUIPMENT WOULD INCREASE BY 5.7 PERCENT ANNUALLY IN CONSTANT PRICES. BASED ON THESE ASSUMPTIONS, WE WOULD EXPECT THE SHARE OF OUR DEFENSE BUDGET NOW GOING TO PERSONNEL TO SHIFT DOWNWARD FROM THE CURRENT LEVEL OF AROUND 55 PERCENT TO APPROXIMATELY 45 PERCENT BY 1980.

C. ONE OF OUR KEY OBJECTIVES IS TO INSURE WE WILL HAVE ADEQUATE FUNDING FOR MODERNIZATION. THUS IN DEVELOPING OUR LONG RANGE PROJECTIONS WE STARTED BY DETERMINING HOW MUCH OF AN INCREASE IN MAJOR EQUIPMENT SPENDING WOULD BE NEEDED TO ENABLE US TO REPLACE OUR CURRENT WEAPONS INVENTORY ON A ONE FOR ONE BASIS WITH MINIMUM AGING WHILE MAINTAINING TECHNOLOGICAL IMPROVEMENTS THAT WOULD ENABLE US TO KEEP PACE WITH SOVIET EFFORTS. THEN WE ADDED ON THE OTHER SPENDING REQUIREMENTS TO DETERMINE THE REQUIRED INCREASE IN THE DEFENSE SPENDING TOTAL.

D. UNDER THESE PLANS, GENERAL PURPOSE FORCES WOULD ACCOUNT FOR AROUND TWO-THIRDS OF THE TOTAL BUDGET. THE LION'S SHARE OF OUR GENERAL PURPOSE FORCES WILL BE FOR CONVENTIONAL FORCES ORIENTED TOWARD THE USSR/WARSAW PACT.

E. THE DEFENSE SPENDING PLANS DESCRIBED ABOVE SUPPORT THE NATIONAL FORCE PLANS IN THE US REPLY TO DPQ-74 AND CONTRIBUTION-
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UTE TOWARDS ATTAINMENT OF THOSE FORCE GOALS WHICH HAVE BEEN ACCEPTED BY THE US FOR THE PERIOD 1975-1980.

2. IN RESPONSE TO THE REQUEST BY THE CHAIRMAN, DRC FOR A LETTER EXPLAINING HOW THE US DEFENSE ESTABLISHMENT INTENDS TO USE THE MINISTERIAL GUIDANCE NOW APPROVED BY MINISTERS, YOU MAY INFORM CHAIRMAN THAT MINISTERIAL GUIDANCE WILL BE TAKEN INTO ACCOUNT IN THE FORMULATION BY THE DEPARTMENT OF DEFENSE OF BASIC GUIDANCE FOR FUTURE DEFENSE PLANNING AND IN THE DEPARTMENT OF DEFENSE DECISIONS ON CURRENT PROGRAMMING ACTIONS. COPIES OF THE NATO DOCUMENT ARE DISTRIBUTED BROADLY WITHIN THE DEPARTMENT OF DEFENSE AND TO A LESSER DEGREE WITHIN THE DEPARTMENT OF STATE.

3. WE HAVE NO OBJECTION TO THE RELEASE OF THIS INFORMATION TO THE ALLIES AND WE WOULD BE VERY INTERESTED IN RECEIVING COPIES OF THE DEFENSE SPENDING PROJECTIONS SUBMITTED BY OTHER NATIONS. KISSINGER

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<< END OF DOCUMENT >>

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